



First Coal Corporation

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*→ Goodrich
 Central
 South*

December 2006 Report to Shareholders

Dear Shareholders:

We are pleased to provide the following corporate update.

OPERATIONS

Goodrich Central South

Goodrich Central South was drilled from mid 2005 to early 2006. We previously reported that our 43-101 compliant report had stated measured and indicated surface resources of 8 million tonnes and inferred surface resources of 2 million tonnes. We have continued working with our independent consultant and modeling the potential mine plan, so that the 43-101 report has been a work in progress.

We have now received a revised report stating an increase in resources, which are tabulated below. Undoubtedly not all of this resource can be economically mined. The mine plan will be dictated by the strip ratio that is economic at current metallurgical coal prices. The report goes on to say that there is potential for more resources.

Table 1-1: Goodrich Central South Measured and Indicated Coal Resources

Geology Type	Deposit Type (Potential)	ASTM Coal Rank	Measured Resources	Indicated Resources	Total Resources ¹
Complex	Surface	Med.Volatile Bituminous	2,771,000	8,314,000	11,085,000
Complex	Additional		0	0	0
Complex	Total		2,771,000	8,314,000	11,085,000

¹Generally complies with GSC Paper 88-21, all numbers are rounded

Table 1-2: Goodrich Central South Inferred Coal Resources

Geology Type	Deposit Type (Potential)	ASTM Coal Rank	Inferred Resources ^{1 2}
Complex	Surface	Med.Volatile Bituminous	8,440,000
Complex	Additional		81,649,000
Complex	Total		90,089,000

¹ Generally complies with GSC Paper 88-21, all numbers are rounded

² Due to the uncertainty which may attach to Inferred Mineral Resources, it cannot be assumed that all or any part of an Inferred Resource will be upgraded to an Indicated or Measured Mineral resource. It is planned to complete drilling to upgrade the Inferred Mineral Resources to Indicated or Measured Mineral Resource at the earliest opportunity.



We had previously planned to mine a bulk sample of 100,000 tonnes in Q4 of this year. Due to timing issues, the unavailability of the wash plant we had expected to utilize, and our desire to focus our financial resources elsewhere, we have delayed this plan. We are continuing with our permitting process and expect to be in a position to commence mining the bulk sample in Q3 2007. Commencement of mining will be subject to the availability of a wash plant, or financing and construction of our own wash plant and related infrastructure.

One of the objectives of the bulk sample was to determine the market acceptance of our coal. In order to achieve this, we have extracted a few tonnes of run of mine coal and we will have these washed and ready for delivery as drum samples to potential customers within the next two months.

2006 EXPLORATION

Table Area Prospect

A small exploration program of 5 diamond drill holes was completed at the Table Area Prospect through June and July of 2006. Preliminary lab testing for several coal seams indicates the presence of metallurgical (coking) coal; however, the phosphorous levels were high in one particular seam and it appears that some of this coal would have to be blended in order to meet market specifications.

The Table Area exploration program in 2006 was very preliminary and was designed to provide a snapshot of coal quality and host rock geology across this section of the Bickford formation. Further exploration of the prospect is warranted.

South Cirque Prospect

The permitted exploration program for South Cirque included 36 diamond drill holes and several kilometers of roadway to be built. In late July, 2006, a significant milestone was achieved as FCC drilled the first core hole on the South Cirque prospect.

More than 16 diamond holes will have been completed as of December 20, 2006 when operations will break for Christmas. Test results have shown that this deposit contains good quality coking coal with low sulphur content and high FSI characteristics.

The operational plan is to block out meaningful tonnage (10 to 15 mm tonnes) by the end of Q1 in 2007 which should be representative of the coal quality of the deposit, and which should validate earlier Gulf Canada Resources Inc reports of a major coal deposit at this site. Drilling will re-commence mid January and carry on until mid March and involve approximately 20 more diamond and rotary drill holes. We would then seek a 43-101 report for South Cirque that could be added to the existing resource report for Central South.



The resource reports for Central South and South Cirque will form the basis for a Preliminary Assessment which will be developed under the direction of our C.O.O. This report may be used as the basis for an IPO, which would provide funding for the start of operations at Central South in addition to providing exploration funding for South Cirque and other FCC coal tenures.

PERMITTING

Bulk Sample Permit – Central South

A formal application for a 100,000 tonne bulk sample permit was submitted by First Coal to the BC Mines Inspector's Office in Prince George on November 3rd, 2006. This permit application includes a request to build a new road to the site which will significantly enhance accessibility, as well as the economic potential of the deposit. It is anticipated that the bulk sample review process will be complete by the end of January 2007.

Bulk sample operations would commence following the completion of the access road and after submitting the Small Mine Permit application for this site. The access road is estimated to cost \$2.5 million, and its completion will be subject to the availability of financing. A decision as to timing will be made early in 2007.

Small Mine Permit – Central South

Permitting for a BC Small Mine Permit is well underway for the Central South deposit. The Company expects that the permit will be ready for review by the end of June 2007. The review process takes three to four months and will fit nicely with the operational possibility of an early Q4 start for Small Mine operations following a successful bulk sample excavation.

FINANCIAL

For the nine months ended September 30, 2006, we expended \$4.1 million on exploration, including a minor amount for general administration. As at September 30, 2006, our net working capital was \$4.5 million. We estimate that the funds on hand will be sufficient to carry out our plans until May, 2007. This excludes any capital expenditures at Goodrich Central South.

We remain focused on providing a liquidity event for our shareholders. Currently, the public market for coal companies is weak due in part to underperformance by some. We recognize the cause of many of these problems and are determined that our business plan is sound. Our ability to complete an acceptable IPO will be subject to these forces.

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First **Coal** Corporation

On a positive note, Anglo Coal has announced a substantial cash investment in north-east British Columbia coal, which we take as a vote of confidence in the long term viability of properties in our area of the Province.

Amongst our financing and partnering initiatives, our Executive Vice-President, Michael Hunter, and I were recently invited to China to participate in a government-sponsored Roundtable to introduce potential Chinese investors to Canadian mining opportunities. Arising from this event and our own contacts, we held discussions at a senior level with three large Chinese companies, all of whom expressed genuine interest in working with us, both for investment purpose and as potential customers for our coal. Generally, one must be patient in developing these relationships. We have other financing and partnering initiatives underway.

When we have completed our Conceptual Plan, targeted for January 31, 2007, setting out our short and long-term development plans and preliminary economic assessment, we will be in a better position to aggressively pursue any such arrangements.

We thank you for your support and patience. Please rest assured that we are building real value with the progress that we continue to make.

On behalf of the Board,

William J. Boden
President & CEO



First Coal Corporation

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